

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Brownstown	County Wayne
Audit Date December 31, 2003	Opinion Date April 2, 2004	Date Accountant Report Submitted To State: May 26, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature			

Charter Township of Brownstown Wayne County, Michigan

**Financial Report
with Supplemental Information
December 31, 2003**

Charter Township of Brownstown

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Assets	14
Statement of Revenue, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16-17
Fiduciary Funds - Statement of Assets and Liabilities	18
Notes to Financial Statements	19-40
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	41
Budgetary Comparison Schedule - Major Special Revenue Funds - Police Operation Fund	42
Budgetary Comparison Schedule - Major Special Revenue Funds - Fire Protection Fund	43
Note to Required Supplemental Information	44-45

Charter Township of Brownstown

Contents (Continued)

Other Supplemental Information

Nonmajor Governmental Funds:	
Combining Balance Sheet	46-47
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	48-49
Fiduciary Funds - Combining Statement of Assets and Liabilities	50



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Independent Auditor's Report

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of and for the year ended December 31, 2003, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Brownstown's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Township Board
Charter Township of Brownstown
Wayne County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Brownstown's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 14, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2004 on our consideration of the Charter Township of Brownstown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

April 2, 2004

Charter Township of Brownstown

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Brownstown's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2003:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$245,000 (9 percent) this year. Nevertheless, the Township was able to increase its General Fund balance by \$47,000 (2.6 percent) due to continued growth that resulted in a taxable value increase of 14 percent, mostly in the DDA district. Because of increased tax revenue, the transfer from General Fund to Police Operation Fund was reduced.
- The change in net assets related to the Township's governmental activities during 2003 increased by approximately \$224,000. However, the unrestricted portion of net assets decreased by approximately \$793,000 due primarily to an increase in the Township's investment in capital assets.
- The Township continued a long-term investment in its road infrastructure by issuing \$995,000 of road bonds.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

Summary Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current assets	\$ 14,588,000	\$ 13,517,000	\$ 11,672,000	\$ 11,185,000	\$ 26,260,000	\$ 24,702,000
Noncurrent assets	<u>22,547,000</u>	<u>20,659,000</u>	<u>60,652,000</u>	<u>60,454,000</u>	<u>83,199,000</u>	<u>81,113,000</u>
Total assets	37,135,000	34,176,000	72,324,000	71,639,000	109,459,000	105,815,000
Liabilities						
Current liabilities	9,908,000	9,113,000	3,894,000	2,412,000	13,802,000	11,525,000
Long-term liabilities	<u>9,628,000</u>	<u>7,688,000</u>	<u>14,636,000</u>	<u>17,290,000</u>	<u>24,264,000</u>	<u>24,978,000</u>
Total liabilities	<u>19,536,000</u>	<u>16,801,000</u>	<u>18,530,000</u>	<u>19,702,000</u>	<u>38,066,000</u>	<u>36,503,000</u>
Net Assets						
Invested in capital assets -						
Net of related debt	12,490,000	11,559,000	42,484,000	40,452,000	54,974,000	52,011,000
Restricted	583,000	497,000	1,661,000	1,192,000	2,244,000	1,689,000
Unrestricted	<u>4,526,000</u>	<u>5,319,000</u>	<u>9,649,000</u>	<u>10,293,000</u>	<u>14,175,000</u>	<u>15,612,000</u>
Total net assets	<u>\$ 17,599,000</u>	<u>\$ 17,375,000</u>	<u>\$ 53,794,000</u>	<u>\$ 51,937,000</u>	<u>\$ 71,393,000</u>	<u>\$ 69,312,000</u>

The Township's combined net assets increased 3 percent from a year ago, increasing from \$69,312,000 to \$71,393,000. As we look at the governmental activities separately from the business-type activities, we can see that net assets increased in both areas by \$224,000 in governmental type and by \$1,857,000 in business type.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$793,000 for the governmental activities. This represents a decrease of approximately 15 percent. The current level of unrestricted net assets for our governmental activities stands at \$4,526,000, or about 27 percent of expenditures.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenue						
Program revenue:						
Charges for services	\$ 5,127,000	\$ 4,708,000	\$ 5,830,000	\$ 5,902,000	\$ 10,957,000	\$ 10,610,000
Operating grants and contributions	444,000	259,000	-	-	444,000	259,000
Capital grants and contributions	2,209,000	1,583,000	1,555,000	-	3,764,000	1,583,000
General revenue:						
Property taxes	6,297,000	6,148,000	1,421,000	1,147,000	7,718,000	7,295,000
State-shared revenue	2,476,000	2,693,000	-	-	2,476,000	2,693,000
Investment earnings	71,000	123,000	109,000	182,000	180,000	305,000
Cable franchise fees	227,000	212,000	-	-	227,000	212,000
Gain (loss) on sale of assets	(45,000)	446,000	1,000	37,000	(44,000)	483,000
Miscellaneous	12,000	4,000	-	-	12,000	4,000
Transfers and other revenue (expense)	24,000	14,000	(24,000)	(14,000)	-	-
Total revenue	16,842,000	16,190,000	8,892,000	7,254,000	25,734,000	23,444,000
Program Expenses						
General government	3,681,000	2,985,000	-	-	3,681,000	2,985,000
Public safety	8,703,000	8,496,000	-	-	8,703,000	8,496,000
Public works	1,252,000	1,028,000	-	-	1,252,000	1,028,000
Community and economic development	1,504,000	1,020,000	-	-	1,504,000	1,020,000
Recreation and culture	1,000,000	1,049,000	-	-	1,000,000	1,049,000
Interest on long-term debt	478,000	576,000	-	-	478,000	576,000
Water and sewer	-	-	7,035,000	6,137,000	7,035,000	6,137,000
Total program expenses	16,618,000	15,154,000	7,035,000	6,137,000	23,653,000	21,291,000
Change in Net Assets	\$ 224,000	\$ 1,036,000	\$ 1,857,000	\$ 1,117,000	\$ 2,081,000	\$ 2,153,000

Governmental Activities

The Township's total governmental revenues increased by approximately \$652,000 despite decreases in state-shared revenue and interest income. The increase, which represents 4 percent, was primarily due to the continuing increase in property taxes and building permits.

Expenses increased by about \$1,464,000 during the year. Increases were led by large increases in health care and district court costs. To offset this, the Township closely monitored its spending in other areas including elimination of the summer festival.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Detroit Water System. We provide sewage treatment through the South Huron Valley Utility Authority and the Downriver Sewerage System. The net assets of both activities increased in 2003 partly due to contribution of water mains from developers and sewer mains from the Downtown Development Authority.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental-type funds for 2003 include the General Fund, the Police Operation Fund, and the Fire Protection Fund. The business-type funds are the Sanitary Sewer Fund and the Water Fund.

The General Fund pays for most of the Township's governmental services including transfers to Police and Fire Funds to balance their budgets. The most significant costs are police and fire activities, which incurred expenses of approximately \$4,850,000 and \$2,980,000, respectively, in 2003. These two services are supported by special millages that are recorded in their individual Special Revenue Funds. These funds also record the transfers from the General Fund. The amount transferred from the General Fund is determined by the amount needed to balance the budgets as approved by the Township Board. During the current year, this amounted to approximately \$1,755,000. This transfer was about \$355,000 less than the prior year. The reduced reliance on the General Fund was primarily because the police and fire levies generated more revenue based on increases in our taxable value. In addition, converting the fire department to 24-hour shifts later in the year did produce some overtime savings.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to increase the estimated building permit and related required inspection permit revenue by \$497,000 along with corresponding expenditures. The increase in building and inspection fees is related to continuing growth in building activity within the Township. Most departmental budgets were amended upward to account for the increase in health insurance premiums. Township departments overall stayed below the amended budget amounts, resulting in total expenditures and transfers of \$440,000 below budget. This allowed the General Fund's unreserved fund balance to increase from \$1,781,000 a year ago to \$1,829,000 at December 31, 2003, representing 13 percent of 2004 combined budgeted expenditures for the General Fund and Police Operation and Fire Protection Funds.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2003, the Township had \$80,000,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines net of related accumulated depreciation. In addition, the Township has invested significantly in roads within the Township. These assets, worth nearly \$4,492,000, net of related accumulated depreciation, are reported in the Township's financial statements as investment in infrastructure. Because Michigan law makes these roads the property of Wayne County Road Commission, along with the responsibility to maintain them, they are listed road usage rights.

During 2003, the Township completed the renovation of the Municipal Building, increasing its value by \$525,000 in addition to the \$667,000 that was added in 2002. The Township added to its debt burden by issuing \$995,000 in capital improvement bonds designated for roads and borrowing \$450,000 for a new fire truck, along with entering into an agreement with the Woodhaven-Brownstown School District for the purchase of the bus garage property that is adjacent to the Municipal Complex. During the year, the Township also retired approximately the same amount of debt. At the end of the year, the Township had \$9.8 million in bonds and notes outstanding for governmental-type activities compared to \$8.1 million at December 31, 2002; while business-type activities, all in the Sewer Fund, had \$15.4 million outstanding at the end of the year compared to \$17 million in the prior year.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for property tax rates a quarter of a mill less than levied for the 2003 budget. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

We anticipate the water rates will increase in 2004 equal to the rate increase imposed by the Detroit Water Board as permitted per Township ordinance.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

Charter Township of Brownstown

Statement of Net Assets December 31, 2003

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 9,367,257	\$ 9,892,247	\$ 19,259,504	\$ 4,019,905
Receivables - Net (Note 4)	5,202,305	1,733,003	6,935,308	4,386
Inventories	15,947	46,823	62,770	-
Prepaid costs and other assets	2,589	410	2,999	-
Long-term receivable - Lease agreements	129,030	-	129,030	-
Restricted assets (Note 8)	-	1,660,860	1,660,860	-
Investment in joint venture (Note 13)	980,854	514,672	1,495,526	-
Capital assets - Net (Note 5)	21,436,969	58,476,240	79,913,209	-
Total assets	37,134,951	72,324,255	109,459,206	4,024,291
Liabilities				
Accounts payable	854,299	369,602	1,223,901	365,001
Accrued and other liabilities	439,249	99,591	538,840	-
Deposits	46,909	290,545	337,454	-
Escrows	543,205	139,154	682,359	-
Deferred revenue (Note 4)	7,358,887	1,498,146	8,857,033	2,888,574
Compensated absences:				
Due within one year	209,175	25,934	235,109	-
Due in more than one year	307,002	4,779	311,781	-
Current liabilities payable from restricted assets (Note 8)	-	662,948	662,948	-
Long-term debt (Note 7):				
Due within one year	456,870	808,017	1,264,887	-
Due in more than one year	9,320,837	14,631,494	23,952,331	-
Total liabilities	19,536,433	18,530,210	38,066,643	3,253,575
Net Assets				
Invested in capital assets - Net of related debt	12,488,898	42,484,338	54,973,236	-
Restricted:				
Construction code activities (Note 2)	296,868	-	296,868	-
Solid waste	143,393	-	143,393	-
Drug forfeiture	143,084	-	143,084	-
Capital projects	-	455,650	455,650	-
Debt service	-	1,205,210	1,205,210	-
Unrestricted	4,526,275	9,648,847	14,175,122	770,716
Total net assets	\$ 17,598,518	\$ 53,794,045	\$ 71,392,563	\$ 770,716

Charter Township of Brownstown

	Program Revenues			
	Charges for	Operating	Capital Grants	
Expenses	Services	Grants and Contributions	and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 3,680,835	\$ 1,414,848	\$ 334,628	\$ 1,646,542
Public safety	8,702,751	1,260,335	44,561	517,793
Public works	1,251,971	689,716	34,616	-
Community and economic development	1,504,068	1,380,630	-	-
Recreation and culture	1,000,742	381,503	30,088	44,698
Interest on long-term debt	477,700	-	-	-
Total governmental activities	16,618,067	5,127,032	443,893	2,209,033
Business-type activities - Water and sewer	7,034,544	5,829,480	-	1,555,219
Total primary government	<u>\$ 23,652,611</u>	<u>\$ 10,956,512</u>	<u>\$ 443,893</u>	<u>\$ 3,764,252</u>
Component unit - Downtown Development Authority	<u>\$ 3,423,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Cable franchise fees				
Gain (loss) on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (284,817)	\$ -	\$ (284,817)	\$ -
(6,880,062)	-	(6,880,062)	-
(527,639)	-	(527,639)	-
(123,438)	-	(123,438)	-
(544,453)	-	(544,453)	-
(477,700)	-	(477,700)	-
(8,838,109)	-	(8,838,109)	-
-	350,155	350,155	-
(8,838,109)	350,155	(8,487,954)	-
-	-	-	(3,423,540)
6,296,779	1,421,415	7,718,194	2,591,211
2,475,798	-	2,475,798	-
70,871	108,741	179,612	30,375
226,625	-	226,625	-
(44,622)	765	(43,857)	-
12,194	-	12,194	-
24,476	(24,476)	-	-
9,062,121	1,506,445	10,568,566	2,621,586
224,012	1,856,600	2,080,612	(801,954)
17,374,506	51,937,445	69,311,951	1,572,670
\$ 17,598,518	\$ 53,794,045	\$ 71,392,563	\$ 770,716

Charter Township of Brownstown

Governmental Funds Balance Sheet December 31, 2003

	General	Police Operation	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,302,188	\$ 1,881,783	\$ 832,384	\$ 3,350,902	\$ 9,367,257
Receivables - Net (Note 4)	1,186,727	2,217,129	853,791	602,002	4,859,649
Prepaid costs and other assets	596	1,495	445	-	2,536
Due from other governmental units (Note 4)	-	-	-	319,507	319,507
Long-term receivable - Lease agreements	-	-	-	129,030	129,030
Total assets	<u>\$ 4,489,511</u>	<u>\$ 4,100,407</u>	<u>\$ 1,686,620</u>	<u>\$ 4,401,441</u>	<u>\$ 14,677,979</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 309,380	\$ 79,885	\$ 38,912	\$ 391,508	\$ 819,685
Accrued and other liabilities	63,420	184,755	101,390	-	349,565
Deposits	46,909	-	-	-	46,909
Escrows	493,566	-	-	49,639	543,205
Deferred revenue (Note 4)	1,306,532	3,835,767	1,546,318	967,635	7,656,252
Total liabilities	2,219,807	4,100,407	1,686,620	1,408,782	9,415,616
Fund Balances					
Reserved for:					
Construction code activities (Note 2)	296,868	-	-	-	296,868
Solid waste	143,393	-	-	-	143,393
Unreserved, reported in General Fund:					
Designated for subsequent year's budget	8,545	-	-	-	8,545
Undesignated	1,820,898	-	-	-	1,820,898
Unreserved, reported in Special Revenue Funds:					
Designated for subsequent year's budget	-	-	-	586,709	586,709
Undesignated	-	-	-	2,405,950	2,405,950
Total fund balances	2,269,704	-	-	2,992,659	5,262,363
Total liabilities and fund balances	<u>\$ 4,489,511</u>	<u>\$ 4,100,407</u>	<u>\$ 1,686,620</u>	<u>\$ 4,401,441</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	21,432,660
Investment in District Court assets is not a financial resource and is not reported in the funds	980,854
Delinquent personal property taxes receivable are expected to be collected over several years and are not available to pay for current year expenditures	26,280
Ambulance fee receivables are expected to be collected over several years and are not available to pay for current year expenditures	136,055
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	135,030
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(10,291,404)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(86,591)
Internal Service Funds are included as part of governmental activities	3,271
Net assets of governmental activities	<u>\$ 17,598,518</u>

Charter Township of Brownstown

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2003

	General	Police Operation	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 819,291	\$ 3,457,182	\$ 1,274,149	\$ 746,157	\$ 6,296,779
Licenses and permits	1,840,513	-	-	-	1,840,513
Federal grants	27,411	22,668	-	334,628	384,707
State-shared revenues and grants	2,475,798	-	-	-	2,475,798
Charges for services	597,850	-	-	-	597,850
District Court and other fines	836,488	-	-	-	836,488
Interest and rentals	33,208	7,987	1,631	28,085	70,911
Special assessments	591,274	-	-	-	591,274
Debt charges	-	-	-	752,091	752,091
Other	145,579	451,463	616,879	269,718	1,483,639
Total revenue	7,367,412	3,939,300	1,892,659	2,130,679	15,330,050
Expenditures					
Current:					
General government	2,215,158	-	-	-	2,215,158
Public safety	113,597	4,756,971	2,916,219	17,035	7,803,822
Community and economic development	2,422,812	-	-	349,296	2,772,108
Recreation and culture	1,010,187	-	-	-	1,010,187
Employee benefits and insurance	46,413	-	-	103,437	149,850
Other	-	-	-	25,929	25,929
Capital outlay	-	-	-	2,135,743	2,135,743
Debt service	-	-	-	852,506	852,506
Total expenditures	5,808,167	4,756,971	2,916,219	3,483,946	16,965,303
Excess of Revenue Over (Under) Expenditures	1,559,245	(817,671)	(1,023,560)	(1,353,267)	(1,635,253)
Other Financing Sources (Uses)					
Transfers in	300,000	911,492	1,085,096	312,666	2,609,254
Transfers out	(1,812,365)	(93,821)	(61,536)	(615,388)	(2,583,110)
Issuance of debt	-	-	-	2,120,000	2,120,000
Total other financing sources (uses)	(1,512,365)	817,671	1,023,560	1,817,278	2,146,144
Net Change in Fund Balances	46,880	-	-	464,011	510,891
Fund Balances - Beginning of year	2,222,824	-	-	2,528,648	4,751,472
Fund Balances - End of year	<u>\$ 2,269,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,992,659</u>	<u>\$ 5,262,363</u>

Charter Township of Brownstown

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds \$ 510,891

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	2,882,459
In the statement of activities, the loss on sale of assets is recorded in the funds the proceeds from sale of assets are reported	(65,767)
Depreciation on capital assets reported as part of governmental activities	(1,056,790)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	81,348
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	461,397
Bond proceeds are not reported as financing sources on the statement of activities	(2,120,000)
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(372,887)
Increase in interest expense is recorded when incurred in the statement of activities	(86,591)
Internal Service Funds are also included as governmental activities	<u>(10,048)</u>

Change in Net Assets of Governmental Activities \$ 224,012

Charter Township of Brownstown

Proprietary Funds Statement of Net Assets December 31, 2003

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 8,090,663	\$ 1,224,656	\$ 9,315,319	\$ -
Investments	576,928	-	576,928	-
Receivables	1,350,643	382,360	1,733,003	23,149
Inventories	-	46,823	46,823	15,947
Prepaid costs and other assets	223	187	410	53
Total current assets	10,018,457	1,654,026	11,672,483	39,149
Noncurrent assets:				
Restricted assets	1,215,210	445,650	1,660,860	-
Investment in joint venture	514,672	-	514,672	-
Capital assets	44,226,211	14,250,029	58,476,240	4,309
Total noncurrent assets	45,956,093	14,695,679	60,651,772	4,309
Total assets	55,974,550	16,349,705	72,324,255	43,458
Liabilities				
Current liabilities:				
Accounts payable	174,089	195,513	369,602	34,614
Accrued and other liabilities	78,494	21,097	99,591	3,093
Deposits	283,460	7,085	290,545	-
Escrows	-	139,154	139,154	-
Deferred revenue	1,498,146	-	1,498,146	-
Current portion of compensated absences	9,692	16,242	25,934	2,445
Current liabilities payable from restricted assets	587,966	74,982	662,948	-
Current portion of long-term debt	808,017	-	808,017	-
Total current liabilities	3,439,864	454,073	3,893,937	40,152
Noncurrent liabilities:				
Provision for compensated absences	760	4,019	4,779	35
Long-term debt - Net of current portion	14,631,494	-	14,631,494	-
Total noncurrent liabilities	14,632,254	4,019	14,636,273	35
Total liabilities	18,072,118	458,092	18,530,210	40,187
Net Assets				
Investment in capital assets - Net of related debt	28,234,309	14,250,029	42,484,338	4,309
Restricted net assets	1,205,210	455,650	1,660,860	-
Unrestricted	8,462,913	1,185,934	9,648,847	(1,038)
Total net assets	<u>\$ 37,902,432</u>	<u>\$ 15,891,613</u>	<u>\$ 53,794,045</u>	<u>\$ 3,271</u>

Charter Township of Brownstown

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total Business	
Operating Revenue				
Sale of water	\$ -	\$ 2,918,260	\$ 2,918,260	\$ -
Sewage disposal charges	2,594,422	-	2,594,422	-
Charges for services	-	-	-	140,929
Other	130,715	186,848	317,563	588
Total operating revenue	2,725,137	3,105,108	5,830,245	141,517
Operating Expenses				
Cost of water	-	1,642,547	1,642,547	-
Cost of sewage disposal	1,233,955	-	1,233,955	-
Operation and maintenance	523,269	597,610	1,120,879	149,038
General and administrative	381,361	356,583	737,944	-
Depreciation	1,257,892	499,350	1,757,242	859
Total operating expenses	3,396,477	3,096,090	6,492,567	149,897
Operating Income (Loss)	(671,340)	9,018	(662,322)	(8,380)
Nonoperating Revenue (Expense)				
Property taxes	1,421,415	-	1,421,415	-
Investment income	97,705	11,036	108,741	-
Interest expense	(541,977)	-	(541,977)	-
Income (Loss) - Before capital contributions	305,803	20,054	325,857	(8,380)
Capital Contributions				
Capital contributions	4,565	135,336	139,901	-
Lines constructed by developers	412,050	1,003,268	1,415,318	-
Total capital contributions	416,615	1,138,604	1,555,219	-
Transfers to Other Funds	(10,874)	(13,602)	(24,476)	(1,668)
Change in Net Assets	711,544	1,145,056	1,856,600	(10,048)
Net Assets - Beginning of year	37,190,888	14,746,557	51,937,445	13,319
Net Assets - End of year	<u>\$ 37,902,432</u>	<u>\$ 15,891,613</u>	<u>\$ 53,794,045</u>	<u>\$ 3,271</u>

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2003

	Major Enterprise Funds			Governmental Activities
	Sanitary Sewer	Water	Total	Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,708,233	\$ 3,028,475	\$ 5,736,708	\$ -
Payments to suppliers	(1,659,044)	(2,191,373)	(3,850,417)	(70,520)
Payments to employees	(517,693)	(603,043)	(1,120,736)	(70,868)
Internal activity - Receipts from other funds	372,659	6,037	378,696	142,468
Internal activity - Payments to other funds	-	(4,922)	(4,922)	-
Other receipts	130,715	186,848	317,563	588
Net cash provided by operating activities	1,034,870	422,022	1,456,892	1,668
Cash Flows from Noncapital and Related Financing Activities				
Transfers out to other funds	(10,874)	(13,602)	(24,476)	(1,668)
Repayment of advance	123,209	-	123,209	-
Net cash (used in) provided by noncapital and related financing activities	112,335	(13,602)	98,733	(1,668)
Cash Flows from Capital and Related Financing Activities				
Proceeds from property taxes	1,442,414	-	1,442,414	-
Purchase of capital assets	(203,396)	(240,219)	(443,615)	-
Principal and interest paid on capital debt	(1,618,499)	-	(1,618,499)	-
Deposit with County for debt	(410,467)	-	(410,467)	-
Net cash used in capital and related financing activities	(789,948)	(240,219)	(1,030,167)	-
Cash Flows from Investing Activities				
Interest received on investments	112,974	11,036	124,010	-
Proceeds from sale and maturities of investment securities	1,160,558	-	1,160,558	-
Net cash provided by investing activities	1,273,532	11,036	1,284,568	-
Net Increase in Cash and Cash Equivalents	1,630,789	179,237	1,810,026	-
Cash and Cash Equivalents - Beginning of year	7,022,876	1,491,069	8,513,945	-
Cash and Cash Equivalents - End of year	<u>\$ 8,653,665</u>	<u>\$ 1,670,306</u>	<u>\$ 10,323,971</u>	<u>\$ -</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 8,090,663	\$ 1,224,656	\$ 9,315,319	\$ -
Restricted investments (Note 3)	563,002	445,650	1,008,652	-
Total cash and cash equivalents	<u>\$ 8,653,665</u>	<u>\$ 1,670,306</u>	<u>\$ 10,323,971</u>	<u>\$ -</u>

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2003

	Major Enterprise Funds			Governmental Activities
	Sanitary Sewer	Water	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (671,340)	\$ 9,018	\$ (662,322)	\$ (8,380)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	1,257,892	499,350	1,757,242	859
Changes in assets and liabilities:				
Receivables	198,661	33,409	232,070	1,539
Due from other funds	372,659	6,037	378,696	-
Inventories	-	1,162	1,162	(3,081)
Prepaid costs and other assets	22	58	80	21
Accounts payable	(42,836)	(206,592)	(249,428)	7,724
Accrued and other liabilities	(80,188)	84,502	4,314	2,986
Due to other funds	-	(4,922)	(4,922)	-
Net cash provided by operating activities	<u>\$ 1,034,870</u>	<u>\$ 422,022</u>	<u>\$ 1,456,892</u>	<u>\$ 1,668</u>

Noncash Investing, Capital, and Financing Activities - During 2003, the County paid principal, interest, and fees in the amount of \$403,803 on behalf of the Township related to County Sewage Disposal System Bonds. The assets held at the County for construction and debt service earned interest of \$3,423. The beginning balance of the South Huron Valley Utility Authority Expansion Bonds was reduced by \$99,555 to reflect a revised amortization scheduled for the debt. In addition, developers contributed water and sewer fixed assets totaling \$1,555,219 during 2003.

Charter Township of Brownstown

Fiduciary Funds Statement of Assets and Liabilities December 31, 2003

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u><u>\$ 2,059,916</u></u>
Liabilities - Due to other governmental units	<u><u>\$ 2,059,916</u></u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Brownstown (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Brownstown:

Reporting Entity

The Charter Township of Brownstown is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Blended Component Units

The Brownstown Building Authority is governed by a board that is appointed by the Township's Board of Trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to construct assets for the Township.

Discretely Presented Component Units

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body, which consists of nine individuals, is approved by the Township's Board of Trustees. In addition, the DDA's budget is subject to approval by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The financial information included in the separate column is condensed. Complete financial statements of the DDA can be obtained from the Township offices at 21313 Telegraph Road, Brownstown Township, Michigan.

The Brownfield Redevelopment Financing Authority (the "Authority") was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority had no financial activity during the year ended December 31, 2003.

Charter Township of Brownstown

**Notes to Financial Statements
December 31, 2003**

Note 1 - Summary of Significant Accounting Policies (Continued)

Jointly Governed Organization

Jointly governed organizations are discussed in Note 13.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Operation Fund and the Fire Protection Fund account for the activities of the police and fire departments requiring separate accounting because of special tax levies to fund operations.

The Township reports the following major Enterprise Funds:

The Water Fund and Sewer Fund account for the results of operations for providing water and sewer service to the citizens and businesses of the Township. The funds' primary revenues are generated through user charges from those requesting water and sewer services.

Additionally, the Township reports the following fund types:

The Internal Service - Vehicle Maintenance Fund accounts for the financing and maintenance of Township vehicles provided by one department or agency to other departments or agencies of the Township, or to other governments, mainly on a cost-reimbursement basis.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds account for assets held by the Township as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water Fund and Sewer Fund also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2002 taxable valuation of the Township totaled \$704 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.8639 mills for operating purposes, 2.0000 mills for fire assessment, 5.7278 mills for police operations and assessment, 0.4736 mills for police capital improvement, 1.0000 mills for sewer debt service, 0.7000 mills for SHVUA debt service, 0.4736 mills for fire capital improvement, 0.4736 mills for road capital improvement, and 0.5900 mills for EPA. This resulted in \$453,000 for operating purposes, \$1.3 million for fire assessment, \$3.5 million for police operations and assessment, \$249,000 for police capital improvement, \$525,000 for sewer debt service, \$483,000 for SHVUA debt service, \$249,000 for fire capital improvement, \$249,000 for road capital improvement, and \$410,000 for EPA. These amounts, in addition to collection fees, interest, and penalties, are recognized in the respective General, Special Revenue, and Enterprise Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, furniture, equipment, and infrastructure assets (e.g., road usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and having a useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Road usage rights	20 years
Land improvements	15 to 20 years
Utility systems	40 to 45 years
Buildings and improvements	20 to 50 years
Vehicles	5 to 15 years
Office furnishings	10 to 20 years
Other tools, machinery, and equipment	5 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative surplus at January 1, 2003	\$ 233,612
Current year building permit revenue	1,322,878
Related expenses:	
Direct costs	1,170,252
Estimated indirect costs	89,370
Total construction code expenses	<u>1,259,622</u>
Reserved fund balance at December 31, 2003	<u><u>\$ 296,868</u></u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated eight banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Charter Township of Brownstown's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 9,367,257	\$ 9,892,247	\$ 2,059,916	\$ 21,319,420	\$ 4,019,905
Restricted assets (Note 8)	-	1,008,652	-	1,008,652	-
Total	<u>\$ 9,367,257</u>	<u>\$ 10,900,899</u>	<u>\$ 2,059,916</u>	<u>\$ 22,328,072</u>	<u>\$ 4,019,905</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 16,474,147	\$ 4,019,905
Investments in securities and similar vehicles	5,852,625	-
Petty cash or cash on hand	<u>1,300</u>	<u>-</u>
Total	<u>\$ 22,328,072</u>	<u>\$ 4,019,905</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

Deposits

The bank balance of the Township's deposits is \$11,050,000, of which \$519,000 is covered by federal depository insurance and \$10,531,000 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component unit's deposits had a bank balance of \$4,020,000, of which \$100,000 was covered by federal depository insurance and \$3,920,000 was uninsured and uncollateralized.

Investments

The Township's investments during the year consisted of U.S. government obligations in the amount of \$2,250,792 and bank investment pools of \$3,601,833. The U.S. government obligations are neither insured nor registered and are held by the counterparty's trust department (or agent) in the Township's name. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, these funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Township believes that the investments in these funds comply with the investment authority noted above.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds and the nonmajor and Internal Service Funds in the aggregate are as follows:

	General Fund	Police Operation Fund	Fire Protection Fund	Sanitary Sewer Fund	Water Fund	Nonmajor Governmental and Other Funds	Total
Receivables:							
Taxes	\$ 723,482	\$ 2,164,737	\$ 716,969	\$ 917,713	\$ -	\$ 596,003	\$ 5,118,904
Accounts	-	-	161,970	410,079	375,364	-	947,413
Intergovernmental	-	708	-	-	-	319,507	320,215
Interest and other	463,245	51,684	767	22,851	6,996	29,148	574,691
Less allowance for uncollectibles	-	-	(25,915)	-	-	-	(25,915)
Net receivables	<u>\$ 1,186,727</u>	<u>\$ 2,217,129</u>	<u>\$ 853,791</u>	<u>\$ 1,350,643</u>	<u>\$ 382,360</u>	<u>\$ 944,658</u>	<u>\$ 6,935,308</u>

The Township records deferred revenue for property taxes billed as of December 1 that are to be used in the next year's budget. In addition, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reflected in governmental funds are as follows:

	Unavailable	Unearned
Land contracts	\$ 135,030	\$ -
Property taxes for subsequent year	-	7,358,887
Delinquent property taxes	26,280	-
Ambulance fees - Net of allowance	<u>136,055</u>	<u>-</u>
Total	<u>\$ 297,365</u>	<u>\$ 7,358,887</u>

Deferred revenue in business-type activities and the component unit consists of unearned property taxes for the subsequent year.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
Governmental Activities				
General fixed assets:				
Land	\$ 2,730,243	\$ 1,005,200	\$ -	\$ 3,735,443
General fixed assets being depreciated:				
Road usage rights	5,581,986	366,951	-	5,948,937
Land improvements	563,500	5,200	-	568,700
Buildings and improvements	11,472,256	541,118	-	12,013,374
Vehicles	2,903,094	608,223	109,550	3,401,767
Office furnishings	550,757	132,146	36,500	646,403
Other tools, machinery, and equipment	2,136,554	223,621	114,329	2,245,846
Subtotal	23,208,147	1,877,259	260,379	24,825,027
Accumulated depreciation:				
Road usage rights	1,168,535	288,273	-	1,456,808
Land improvements	278,542	28,305	-	306,847
Buildings and improvements	2,314,007	228,299	-	2,542,306
Vehicles	1,477,366	231,262	88,433	1,620,195
Office furnishings	217,800	40,827	36,500	222,127
Other tools, machinery, and equipment	809,382	239,824	69,679	979,527
Subtotal	6,265,632	1,056,790	194,612	7,127,810
Net general fixed assets being depreciated	16,942,515	820,469	65,767	17,697,217
Net general fixed assets	19,672,758	1,825,669	65,767	21,432,660
Internal service assets:				
Internal service assets being depreciated -				
Other tools, machinery, and equipment	12,342	-	-	12,342
Accumulated depreciation - Other tools, machinery, and equipment	7,174	859	-	8,033
Net internal service assets being depreciated	5,168	(859)	-	4,309
Net total capital assets	\$ 19,677,926	\$ 1,824,810	\$ 65,767	\$ 21,436,969

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets (Continued)

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 203,749	\$ -	\$ -	\$ 203,749
Construction in progress	6,036,753	-	-	6,036,753
Subtotal	6,240,502	-	-	6,240,502
Capital assets being depreciated:				
Utility systems	61,492,771	1,816,732	-	63,309,503
Buildings and improvements	10,457,695	14,390	-	10,472,085
Vehicles	457,826	98,030	14,914	540,942
Other tools, machinery, and equipment	708,435	69,682	-	778,117
Subtotal	73,116,727	1,998,834	14,914	75,100,647
Accumulated depreciation:				
Utility systems	19,727,818	1,404,132	-	21,131,950
Buildings and improvements	646,036	237,650	-	883,686
Vehicles	344,413	55,832	14,914	385,331
Other tools, machinery, and equipment	404,314	59,628	-	463,942
Subtotal	21,122,581	1,757,242	14,914	22,864,909
Net capital assets being depreciated	51,994,146	241,592	-	52,235,738
Net capital assets	\$ 58,234,648	\$ 241,592	\$ -	\$ 58,476,240

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 405,417
Public safety	550,341
Public works	10,542
Community and economic development	15,584
Recreation and culture	74,906
Internal Service Fund depreciation is charged to various functions based on their usage of the asset	859
Total governmental activities	<u>\$ 1,057,649</u>
Business-type activities:	
Water	\$ 499,350
Sewer	1,257,892
Total business-type activities	<u>\$ 1,757,242</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 6 - Interfund Transfers

The composition of interfund transfers is as follows:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Operation Fund	(1) \$ 669,892
	Fire Protection Fund	(2) 1,085,096
	Retiree Insurance Fund	<u>57,377</u>
	Total General Fund	1,812,365
Police Operation Fund	Retiree Insurance Fund	93,821
Fire Protection Fund	Retiree Insurance Fund	61,536
Sanitary Sewer Fund	Retiree Insurance Fund	10,874
Water Fund	Retiree Insurance Fund	13,602
Nonmajor governmental funds	General Fund	(3) 300,000
	Police Operation Fund	(1) 241,600
	Debt Service Fund	<u>73,788</u>
	Total nonmajor governmental funds	615,388
Internal Service Fund	Retiree Insurance Fund	<u>1,668</u>
	Total	<u>\$ 2,609,254</u>

- (1) Transfer for police operation expenditures
- (2) Transfer for fire protection expenditures
- (3) Transfer for police and fire capital improvements

Additionally, the Downtown Development Authority (DDA) is paying certain dollars to the Township for police and fire services based on the area covered by the DDA. The total amount spent by the DDA related to these services during 2003 was \$350,000.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds:							
Police Facility Bonds - 1997	4.800% -	\$125,000 -	\$ 6,255,000	\$ -	\$ (120,000)	6,135,000	\$ 125,000
Amount of issue - \$6,765,000	7.250%	\$450,000					
Maturing through 2022							
Township Hall Renovation Bonds:	3.750% -	\$55,000 -	1,200,000	-	(50,000)	1,150,000	55,000
Amount of issue - \$1,200,000	4.625%	\$115,000					
Maturing through 2017							
Capital Improvement Road Bonds - 2003	2.000% -	\$65,000 -	-	995,000	-	995,000	65,000
Amount of issue - \$995,000	3.450%	\$120,000					
Maturing through 2013							
Contractual Obligations:							
Fire truck - 2000	5.020%	\$43,519 -	664,104	-	(41,397)	622,707	43,519
Loan amount - \$750,000		\$71,813					
Maturing through 2014							
Land contract - 2003 (bus garage)	0.000%	\$112,500	-	700,000	(250,000)	450,000	112,500
Contract amount - \$700,000							
Payable through 2007							
Fire truck - 2003	2.770%	\$55,851 -	-	425,000	-	425,000	55,851
Lease/Purchase - \$425,000		\$65,804					
Payable through 2010							
Total governmental activities			<u>\$ 8,119,104</u>	<u>\$ 2,120,000</u>	<u>\$ (461,397)</u>	<u>\$ 9,777,707</u>	<u>\$ 456,870</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 7 - Long-term Debt (Continued)

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
Sewer:						
Wayne County Sewage Disposal System Bonds - 1967 Amount of issue - \$5,000,000 Maturing through 2006	4.100%	\$235,000 - \$240,000	\$ 945,000	\$ (230,000)	\$ 715,000	\$ 235,000
Wayne County Sewage Disposal System Refunding Bonds - 1994 Amount of issue - \$3,825,500 Maturing through 2008	5.600% - 6.000%	\$175,000 - \$313,739	1,671,319	(290,770)	1,380,549	313,740
Less unamortized deferred amount on refunding			(64,740)	10,941	(53,799)	(10,941)
South Huron Valley Phase II Bonds - 1991 Amount of issue - \$2,597,912 Maturing through 2011	2.000%	\$148,336 - \$169,672	1,415,287	(145,288)	1,269,999	148,336
SHVUA Plant Expansion Bonds - 1998 Amount of issue - \$8,606,758 Maturing through 2020	2.250%	\$368,653 - \$527,106	7,906,640	(455,273)	7,451,367	363,803
Contractual obligations:						
DPW Building Installment Loan - 1998 Amount of issue - \$600,000 Maturing through 2013	4.800%	\$31,049 - \$53,553	466,839	(34,795)	432,044	36,505
Sewer Vactor Truck Loan - 2002 Amount of issue - \$226,445 Matured 2003	4.000%	\$202,308	202,308	(202,308)	-	-
EPA Judgment - Brownstown's Share Downriver Sewage Disposal System Bonds:						
Series A - 1994 - \$181,600; 2003	6.300%	\$8,377	8,377	(8,377)	-	-
SRF #1 Project 5117-02 - \$114,300; 2014	2.000%	\$5,266 - \$6,505	70,937	(5,269)	65,668	5,266
SRF #2 Project 5117-03 - \$877,052; 2015	2.000%	\$41,927 - \$53,731	613,689	(40,997)	572,692	41,927
SRF #5 Project 5117-15 - \$2,698,311; 2018	2.000%	\$120,954 - \$165,631	2,251,272	(118,231)	2,133,041	120,954
SRF #6 Project 5117-18,19,21 - \$192,776; 2017	2.000%	\$8,606 - \$10,242	146,913	(8,441)	138,472	8,606

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 7 - Long-term Debt (Continued)

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Business-type Activities (Continued)						
EPA Judgment - Brownstown's Share Downriver						
Sewage Disposal System Bonds (Continued):						
SRF #7 Project 5117-23 - \$731; 2017	2.250%	\$33 - \$45	\$ 578	\$ (33)	\$ 545	\$ 33
SRF #9 Project 5117-24, 31 - \$291,996; 2020	2.250%	\$3,051 - \$17,748	247,902	(12,809)	235,093	12,855
SRF #10 Project 5117-25, 32 - \$691,456; 2020	2.250%	\$2,374 - \$42,331	608,238	(30,116)	578,122	30,148
SRF #11 Project 5117-20 - \$4,313; 2020	2.250%	\$181 - \$271	3,972	(177)	3,795	181
SRF #12 1999 A & B Refunding - \$887,593; 2018	4.400%- 5.125%	\$40,638 - \$61,537	802,771	(30,316)	772,455	40,638
SRF #13 Project 5117-01 - \$7,321; 2020	2.250%	\$325 - \$454	6,750	(324)	6,426	325
SRF #14 Project 5117-34 - \$315,567; 2021	2.500%	\$13,032 - \$19,859	303,155	(12,722)	290,433	13,032
Subtotal - EPA			5,064,554	(267,812)	4,796,742	273,965
Less current amount payable from restricted assets			(587,925)	35,534	(552,391)	(552,391)
Total business-type activities			\$ 17,019,282	\$ (1,579,771)	\$ 15,439,511	\$ 808,017

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 456,870	\$ 430,414	\$ 887,284	\$ 808,015	\$ 444,715	\$ 1,252,730
2005	495,654	399,515	895,169	1,381,582	397,345	1,778,927
2006	524,594	381,101	905,695	1,397,194	349,271	1,746,465
2007	558,701	362,858	921,559	1,153,751	305,560	1,459,311
2008	485,478	344,524	830,002	1,073,424	267,343	1,340,767
2009-2013	2,864,600	1,380,917	4,245,517	4,512,121	941,322	5,453,443
2014-2018	2,601,810	727,671	3,329,481	3,973,106	421,615	4,394,721
2019-2022	1,790,000	172,560	1,962,560	1,140,318	39,166	1,179,484
Total	\$ 9,777,707	\$ 4,199,560	\$ 13,977,267	\$ 15,439,511	\$ 3,166,337	\$ 18,605,848

The Township has an additional liability of approximately \$404,000 recorded in the Tax Collection Fiduciary Fund for potential repayments to taxpayers as a result of the change in the State utility multipliers.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At December 31, 2003, \$1,500,000 of bonds outstanding are considered defeased.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

Cash and cash equivalents (to repay debt and for improvements):	
To repay South Huron Valley Phase II bonds	\$ 432,912
To repay SHVUA Plant Expansion bonds	130,090
Restricted for water capital improvements	445,650
Prepaid and accrued interest	5,388
Downriver Sewage Disposal System - Assets held at the	
County for future EPA debt payments	636,820
South Huron Valley Utility Authority - Start-up costs	<u>10,000</u>
Total restricted assets	<u>\$ 1,660,860</u>

Current liabilities to be paid from restricted assets of the Sanitary Sewer and Water Funds consist of the following:

	Sanitary Sewer	Water	Total
Bond principal payments:			
South Huron Valley Phase II bonds	\$ 148,336	\$ -	\$ 148,336
SHVUA Plant Expansion bonds	130,090	-	130,090
EPA Sewage Disposal System bonds	273,965	-	273,965
Accrued interest	35,575	-	35,575
Accounts payable for mains	<u>-</u>	<u>74,982</u>	<u>74,982</u>
Total current liabilities payable from restricted assets	<u>\$ 587,966</u>	<u>\$ 74,982</u>	<u>\$ 662,948</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Michigan Municipal Risk Management Authority (MMRMA) state risk pool program operate as common risk-sharing management programs for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the MMRMA program, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 10 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees who are at least 18 years of age and the Township contributes on behalf of the Township Board through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Township Board, the Township contributes 11 percent to 14 percent of employees' base earnings for TPOAM union employees. In addition, the Township contributed 11 percent to 15 percent of base earnings for MAP and COAM union employees and 6 percent to 15 percent for IAFF fire department employees. TPOAM union employees, nonunion employees, and Board members are required to contribute 5 percent of base earnings before taxes.

Also, 7 percent to 15 percent of base earnings is contributed for administrative nonunion personnel and Board members. All participants may voluntarily contribute an additional amount, on an after-tax basis, not to exceed the Internal Revenue Service guidelines.

In accordance with these requirements, the Township contributed \$783,611 and employees contributed \$213,027.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 11 - Contingent Liabilities

The Township, along with several other communities in the Downriver Sewer System, was involved in litigation brought by the U.S. Environmental Protection Agency related to violations of the U.S. Clean Water Act. As a result of the violations, the communities are obligated to upgrade the system. The Township issued bonds of approximately \$6,341,000 in prior years to pay for costs related to the system improvements. The modifications to the system are substantially complete; however, two additional issues have arisen relating to the completion of the improvements. These issues may result in additional costs; however, the amounts are not able to be estimated at this time.

Note 12 - Other Postemployment Benefits

The Township provides health care and life insurance benefits to retirees in accordance with labor contracts. The Township pays the full cost of coverage for these benefits. Currently, 14 retirees are eligible. The Township includes retirees and their dependents in its insured health care and life insurance plans, with no contribution required by the participant. Certain retirees who are not eligible for full coverage are reimbursed up to \$50 per month for Medicare premiums. Expenditures for postemployment health care and life insurance benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$103,000. The Township obtains health care coverage through private insurers.

Note 13 - Joint Ventures

The Township is a member of the 33rd District Court (the "Court"), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities.

During the current year, the Township contributed approximately \$760,000 for its operations. The Township received approximately \$836,000 in revenue from Court collections, net of the debt payments discussed below. Complete financial statements for the Court can be obtained from the administrative offices at 19000 Van Horn Road, Woodhaven, MI 48183. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 13 - Joint Ventures (Continued)

In a prior year, the member communities of the Court entered into an installment purchase agreement to finance an addition to the Court facility. Under the terms of the agreement, each community is obligated for a share of the annual debt service payment. This share is proportionate to each community's relative annual case load. The balance of the total debt was \$1,377,474 at December 31, 2003; of that total, the Township has recorded 35.52 percent, or \$489,279, as an offset to the Township's percentage of the assets of the Court. The Township's share of the obligation is subject to change each year based on case load. The Township's share decreased from 36.72 percent to 35.52 percent for the year ended December 31, 2003, resulting in a decrease of the Township's share of the obligation. Debt service payments of \$23,793 for interest and \$31,064 for principal were deducted from the Court revenue remitted to the Township. The Township's total interest in this joint venture (including the Township's share of working capital) is \$980,854.

The Township is a member of the South Huron Valley Utility Authority (the "Authority"). The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$701,586 toward the operation of the system. In addition, debt payments of \$703,673, including both principal and interest, were made to the Authority. The Township's portion of the debt is recorded in the Township's Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Sewer Fund. Complete financial statements for the Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), excess operating assets, and related debt is recorded in the Water and Sewer Fund. During the year, the Township paid \$445,613 for operations of the system and \$403,803 for debt service. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future other than the items noted in Note 11.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 14 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Charter Township of Brownstown has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (road usage rights, etc.)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (road usage rights, etc.) not previously accounted for by the Township as well as assets totaling approximately \$20,850,627 that would previously have been reported in the General Fixed Assets Account Group
- The governmental activities column includes compensated absences, bonds, and other long-term obligations totaling \$8,635,281 previously reported in the General Long-term Debt Account Group
- Adjustments were made to the Township's Sewer Enterprise Fund net assets and certain governmental funds' fund balance. Debt service related to certain bonds issued in prior years for the South Huron Valley Utility Authority had been accounted for in the Huron Valley Debt Service Fund. The Township had previously reflected the asset in the Sewer Fund as a contributed asset. The related debt was reflected in the General Long-term Debt Account Group. The assets are directly related to the Township's sewer system; therefore, the Township transferred the debt activity and assets from the Debt Service Fund to the Sewer Fund. Cumulative tax levies collected in excess of debt service payments are restricted within the Sewer Fund for future debt service payments.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2003

Note 14 - Accounting and Reporting Change (Continued)

- The Township's investment in the South Huron Valley Utility Authority and the Downriver Sewage Disposal System had previously not been reported. These investments in joint ventures have now been recorded as restricted assets at their net book value within the Sewer Fund.

Required Supplemental Information

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 2,222,824	\$ 2,222,824	\$ 2,222,824	\$ -
Resources (Inflows)				
Property taxes	719,183	795,683	819,291	23,608
Federal sources	10,000	40,000	27,411	(12,589)
State sources	2,738,680	2,528,680	2,475,798	(52,882)
Fees and permits	1,346,167	1,813,500	1,840,513	27,013
Fines and forfeitures	1,000,500	1,000,500	836,488	(164,012)
Charges for services	606,300	624,500	597,850	(26,650)
Interest income	66,000	36,000	33,208	(2,792)
Special assessments	500,100	590,100	591,274	1,174
Rental income	-	-	-	-
Other	86,800	116,800	145,579	28,779
Transfer from other funds	300,000	300,000	300,000	-
Amounts available for appropriation	7,373,730	7,845,763	7,667,412	(178,351)
Charges to Appropriations (Outflows)				
General government:				
Legislative	71,510	76,610	73,139	3,471
District court	750,000	760,200	760,190	10
Executive	284,079	280,379	258,890	21,489
Elections	83,555	82,455	68,108	14,347
Accounting	161,527	177,377	174,161	3,216
Assessor	273,951	285,979	283,726	2,253
Legal	46,800	46,800	32,159	14,641
Clerk	192,481	207,390	201,473	5,917
Treasurer	167,171	188,906	182,930	5,976
Tax collection	73,749	87,146	83,139	4,007
Board of Review	3,640	3,640	2,268	1,372
Nondepartmental	320,022	96,500	94,975	1,525
Public safety - Animal control	141,316	120,216	113,597	6,619
Community and economic development:				
Building and grounds	71,100	97,100	91,191	5,909
Flood control	10,500	22,800	22,781	19
Public works	334,750	352,000	348,430	3,570
Community development	742,202	1,072,106	1,076,672	(4,566)
Planning	43,450	98,950	86,223	12,727
Zoning Board	11,310	11,310	10,878	432
Architectural Review Board	5,225	5,225	4,643	582
Sanitation	357,800	665,800	654,771	11,029
Economic opportunity	139,800	139,800	127,223	12,577
Recreation and culture:				
Recreation	581,728	602,671	600,021	2,650
Parks	163,272	197,986	197,619	367
Library	34,000	34,000	20,877	13,123
Beautification commission	11,810	11,810	11,340	470
Historical commission	1,425	1,425	455	970
Community Center	139,220	182,011	179,875	2,136
Employee benefits and insurance	72,000	53,100	46,413	6,687
Transfer to other funds	2,084,337	2,098,422	1,812,365	286,057
Total charges to appropriations	7,373,730	8,060,114	7,620,532	439,582
Fund Balance - End of year	\$ 2,222,824	\$ 2,008,473	\$ 2,269,704	\$ 261,231

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Police Operation Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	3,436,283	3,456,283	3,457,182	899
Federal sources	7,000	7,000	22,668	15,668
Interest income	8,000	8,000	7,987	(13)
Other	305,150	419,150	451,463	32,313
Transfer from other funds	<u>1,166,207</u>	<u>1,119,292</u>	<u>911,492</u>	<u>(207,800)</u>
Amounts available for appropriation	4,922,640	5,009,725	4,850,792	(158,933)
Charges to Appropriations (Outflows)				
Public safety - Police	4,724,640	4,768,725	4,756,971	11,754
Transfers to other funds	<u>54,493</u>	<u>97,493</u>	<u>93,821</u>	<u>3,672</u>
Total charges to appropriations	<u>4,779,133</u>	<u>4,866,218</u>	<u>4,850,792</u>	<u>15,426</u>
Fund Balance - End of year	<u><u>\$ 143,507</u></u>	<u><u>\$ 143,507</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (143,507)</u></u>

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Protection Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	1,272,468	1,272,468	1,274,149	1,681
Interest income	1,000	1,000	1,631	631
Other	556,500	577,000	616,879	39,879
Transfer from other funds	<u>1,128,339</u>	<u>1,163,339</u>	<u>1,085,096</u>	<u>(78,243)</u>
Amounts available for appropriation	2,958,307	3,013,807	2,977,755	(36,052)
Charges to Appropriations (Outflows)				
Public safety - Fire	2,922,959	2,951,459	2,916,219	35,240
Transfers to other funds	<u>35,348</u>	<u>62,348</u>	<u>61,536</u>	<u>812</u>
Total charges to appropriations	<u>2,958,307</u>	<u>3,013,807</u>	<u>2,977,755</u>	<u>36,052</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Brownstown

Note to Required Supplemental Information Year Ended December 31, 2003

Budgetary Information - The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's Bulletin for Audits of Local Units of Government in Michigan dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Township adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets adopted by the Township Board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township Board is available at the Clerk's office for inspection.

The Township follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Township Supervisor, on or before 60 days prior to the commencement of the fiscal and budgetary year (January 1), shall prepare and submit to the Board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the Board shall direct, and notice of such public hearing shall be published at least 30 days in advance thereof by the Clerk.
3. The Board shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

Charter Township of Brownstown

Note to Required Supplemental Information (Continued) **Year Ended December 31, 2003**

The annual budget is prepared by the Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as an other financing source (use).

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Brownstown incurred expenditures that were in excess of the amounts budgeted in the General Fund, as follows:

	Amended Budget	Actual	Variance
Community development	\$ 1,072,106	\$ 1,076,672	\$ (4,566)

The unfavorable community development expenditure variance in the General Fund was caused by unanticipated expenditures that became necessary during the year.

Other Supplemental Information

Charter Township of Brownstown

Special Revenue

	Capital Improvement	CDBG	Police Improvement	Fire Improvement	Road Improvement
Assets					
Cash and investments	\$ 592,070	\$ -	\$ 160,516	\$ 505,583	\$ 1,192,885
Receivables - Net	6,000	-	197,295	197,296	201,411
Due from other governmental units	-	319,507	-	-	-
Long-term receivable - Lease agreements	129,030	-	-	-	-
Total assets	\$ 727,100	\$ 319,507	\$ 357,811	\$ 702,879	\$ 1,394,296
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 43,612	\$ 319,507	\$ 2,995	\$ 22,202	\$ 2,642
Escrow funds	-	-	-	-	43,500
Deferred revenue	135,030	-	275,241	275,242	282,122
Total liabilities	178,642	319,507	278,236	297,444	328,264
Fund Balances - Unreserved					
Designated for subsequent year's budget	76,250	-	79,575	163,232	267,652
Undesignated	472,208	-	-	242,203	798,380
Total fund balances	548,458	-	79,575	405,435	1,066,032
Total liabilities and fund balances	\$ 727,100	\$ 319,507	\$ 357,811	\$ 702,879	\$ 1,394,296

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

Funds			Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
Drug Forfeiture	Housing Assistance	Retiree Insurance	Debt Service	Building Authority	Building Authority Construction	
\$ 143,099	\$ 6,139	\$ 750,110	\$ -	\$ 500	\$ -	\$ 3,350,902
-	-	-	-	-	-	602,002
-	-	-	-	-	-	319,507
-	-	-	-	-	-	129,030
\$ 143,099	\$ 6,139	\$ 750,110	\$ -	\$ 500	\$ -	\$ 4,401,441
\$ 15	\$ -	\$ 35	\$ -	\$ 500	\$ -	\$ 391,508
-	6,139	-	-	-	-	49,639
-	-	-	-	-	-	967,635
15	6,139	35	-	500	-	1,408,782
-	-	-	-	-	-	586,709
143,084	-	750,075	-	-	-	2,405,950
143,084	-	750,075	-	-	-	2,992,659
\$ 143,099	\$ 6,139	\$ 750,110	\$ -	\$ 500	\$ -	\$ 4,401,441

Charter Township of Brownstown

	Special Revenue				
	Capital Improvement	CDBG	Police Improvement	Fire Improvement	Road Improvement
Revenue					
Property taxes	\$ -	\$ -	\$ 248,187	\$ 248,985	\$ 248,985
Federal sources	-	334,628	-	-	-
Interest income	5,210	-	2,745	6,527	5,557
Debt charges	-	-	-	-	-
Other	44,640	-	14,475	-	7,783
Total revenue	49,850	334,628	265,407	255,512	262,325
Expenditures					
Current:					
Public safety	-	-	-	-	-
Community maintenance and development	14,657	334,628	-	-	-
Employee benefits and insurance	-	-	-	-	-
Other	-	-	-	-	25,929
Capital outlay	822,888	-	191,509	501,449	165,364
Debt service	-	-	-	-	-
Total expenditures	837,545	334,628	191,509	501,449	191,293
Excess of Revenue Over (Under)					
Expenditures	(787,695)	-	73,898	(245,937)	71,032
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(300,000)	(223,788)	-
Issuance of debt	700,000	-	-	425,000	995,000
Total other financing sources (uses)	700,000	-	(300,000)	201,212	995,000
Excess of Revenue and Other Financing Sources Over (Under)					
Expenditures and Other Uses	(87,695)	-	(226,102)	(44,725)	1,066,032
Fund Balances - Beginning of year	636,153	-	305,677	450,160	-
Fund Balances - End of year	<u>\$ 548,458</u>	<u>\$ -</u>	<u>\$ 79,575</u>	<u>\$ 405,435</u>	<u>\$ 1,066,032</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2003

Funds			Debt Service Funds		Capital Projects Fund	
Drug Forfeiture	Housing Assistance	Retiree Insurance	Debt Service	Building Authority	Building Authority Construction	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 746,157
-	-	-	-	-	-	334,628
859	11	4,848	-	54	2,274	28,085
-	-	-	250,000	502,091	-	752,091
<u>194,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>269,718</u>
195,679	11	4,848	250,000	502,145	10,274	2,130,679
17,035	-	-	-	-	-	17,035
-	11	-	-	-	-	349,296
-	-	103,437	-	-	-	103,437
-	-	-	-	-	-	25,929
-	-	-	-	-	454,533	2,135,743
<u>-</u>	<u>-</u>	<u>-</u>	<u>323,788</u>	<u>528,718</u>	<u>-</u>	<u>852,506</u>
<u>17,035</u>	<u>11</u>	<u>103,437</u>	<u>323,788</u>	<u>528,718</u>	<u>454,533</u>	<u>3,483,946</u>
178,644	-	(98,589)	(73,788)	(26,573)	(444,259)	(1,353,267)
-	-	238,878	73,788	-	-	312,666
(91,600)	-	-	-	-	-	(615,388)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,120,000</u>
<u>(91,600)</u>	<u>-</u>	<u>238,878</u>	<u>73,788</u>	<u>-</u>	<u>-</u>	<u>1,817,278</u>
87,044	-	140,289	-	(26,573)	(444,259)	464,011
<u>56,040</u>	<u>-</u>	<u>609,786</u>	<u>-</u>	<u>26,573</u>	<u>444,259</u>	<u>2,528,648</u>
<u>\$ 143,084</u>	<u>\$ -</u>	<u>\$ 750,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,992,659</u>

Charter Township of Brownstown

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2002

	Agency Funds		
	School and County	Tax Collection	Totals
Assets - Cash and investments	<u>\$ 2,119</u>	<u>\$ 2,057,797</u>	<u>\$ 2,059,916</u>
Liabilities - Due to other governmental units	<u>\$ 2,119</u>	<u>\$ 2,057,797</u>	<u>\$ 2,059,916</u>

Charter Township of Brownstown

**Federal Awards
Supplemental Information
December 31, 2003**

Charter Township of Brownstown

Contents

Independent Auditor's Report	I
Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements	2-3
Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards	4-5
Schedule of Expenditures of Federal Awards	6
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-10



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Independent Auditor's Report

To the Members of the Board
Charter Township of Brownstown

We have audited the basic financial statements of the Charter Township of Brownstown for the year ended December 31, 2003 and have issued our report thereon dated April 2, 2004. Those basic financial statements are the responsibility of the management of the Charter Township of Brownstown. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Charter Township of Brownstown taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of general purpose financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

April 2, 2004

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A worldwide association of independent accounting firms

Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Members of the Board
Charter Township of Brownstown

We have audited the financial statements of the Charter Township of Brownstown as of and for the year ended December 31, 2003 and have issued our report thereon dated April 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Charter Township of Brownstown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Brownstown's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Charter Township of Brownstown in a separate letter dated April 2, 2004.

To the Members of the Board
Charter Township of Brownstown

This report is intended solely for the information and use of the Audit Committee, the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

April 2, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Members of the Board
Charter Township of Brownstown

Compliance

We have audited the compliance of the Charter Township of Brownstown with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. The major federal program of the Charter Township of Brownstown is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Brownstown's management. Our responsibility is to express an opinion on the Charter Township of Brownstown's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Brownstown's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Brownstown's compliance with those requirements.

In our opinion, the Charter Township of Brownstown complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

To the Members of the Board
Charter Township of Brownstown

Internal Control Over Compliance

The management of the Charter Township of Brownstown is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Brownstown's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Charter Township of Brownstown in a separate letter dated April 2, 2004.

This report is intended solely for the information and use of the Audit Committee, the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

April 2, 2004

Charter Township of Brownstown

Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S Department of Justice - Passed through the State of Michigan:				
Local Law Enforcement Block Grant	16.592	2001-LB-BX-3992	\$ 18,021	\$ 14,174
COPS Universal Hiring Supplemental Award	16.710	95-CF-WX-4844	75,000	<u>6,966</u>
Total U.S. Department of Justice				21,140
U.S. Department of Housing and Urban Development - Passed through Wayne County - Community Development Block Grant	14.218	Various	449,526	334,628
Federal Emergency Management Assistance - Passed through the Michigan Department of State Police - Hazard Mitigation Grant Program	83.548	1181.020	27,411	<u>27,411</u>
Total federal expenditures				<u>\$ 383,179</u>

Charter Township of Brownstown

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 384,707
Less local funding	<u>(1,528)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 383,179</u>

Charter Township of Brownstown

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Brownstown and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 10,539

Charter Township of Brownstown

Schedule of Findings and Questioned Costs Year Ended December 31, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program:

CFDA Number	Name of Federal Program
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Charter Township of Brownstown

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2003

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

April 2, 2004

Board of Trustees
Charter Township of Brownstown
21313 Telegraph Road
Brownstown, MI 48183

Dear Board Members:

We recently completed the audit of the financial statements of the Charter Township of Brownstown for the year ended December 31, 2003. We would like to take this opportunity to compliment your staff and management for the overall positive condition of the financial records and related documentation. As part of the audit, we offer the following comments and recommendations for your consideration.

GASB 34

As we discussed last year, the Government Accounting Standards Board has issued a major pronouncement that drastically changed the way your financial statements look. For the Charter Township of Brownstown, this pronouncement went into effect on January 1, 2003. During the past year, the Township developed and executed a specific plan on how to derive some of the data that was required by the new rules.

Although there are many differences with this new reporting model, the major additions are as follows:

- *Management Discussion and Analysis:* Management is now required to give an overview of the Township's overall financial position and results of operations.
- *Government-wide Financial Statements:* These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township from a longer term perspective (i.e. are today's taxpayers paying for today's services?). These statements show capital and infrastructure assets, as well as long term debt as part of the Township's financial picture.
- *Budget Comparison:* A financial statement reader will now be able to view not only the actual revenue and expenditures of the Township as compared to the current budget, but also as compared to the original budget.

The GASB believes this new model will provide a more complete picture of the financial position of the Township.

GASB 34 (Continued)

It is important to note that, although the implementation process has received the most attention, there are on-going aspects of GASB 34 that will continue for future year audits. With additional statements, reconciliation from fund-based to Government-wide reporting, capital asset tracking and more being added to this new model, there is more preparation needed for the audit, as well as more audit procedures to apply. This increases the workload of both the Township staff and the auditors. We would like to recognize and thank Jean Chambers for her assistance with the implementation of GASB 34.

LEGISLATIVE UPDATES

Revenue Sharing

As commented on in last year's letter, the slow down in the State's economy is now directly affecting the General Fund. State shared revenue accounts for approximately 34% of the Township's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems, revenue sharing payments for the State's fiscal years ending September 30, 2001, 2002, 2003 and 2004 are less than originally projected. Following is a table setting forth the Township's revenue sharing payments:

Year ended December 31	Constitutional	Statutory	Total	Total if Township Received Inflationary Increases of 3.0%
2001	\$1,492,000	\$1,487,000	\$2,979,000	
2002	\$1,507,000	\$1,283,000	\$2,790,000	\$3,068,000
2003	\$1,532,000	\$1,053,000	\$2,585,000	\$3,159,000
2004 - estimated	\$1,539,000	\$803,000	\$2,342,000	\$3,254,000
2005 - estimated			\$2,327,000	\$3,353,000

A summary of the significant developments related to revenue sharing payments is as follows:

The Governor's Executive Order 2003-23 lowered the appropriation for statutory revenue sharing an additional \$72 million. Supplemental legislation will be required to update the current formulas in statute to reflect the lower appropriation. As a result, fiscal year 2003/2004 revenue sharing payments would be 4.2% lower than the 2002/2003 level. The Executive Order increases that decline another 5 percent, to 9.2%. Local units receive revenue sharing under both the statutory and constitutional provisions; that estimate is based on a reduction of the combined total.

Revenue Sharing (Continued)

It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state shared revenue payments, the Michigan Department of Treasury website is located at <http://www.treas.state.mi.us/apps/findrevshareinfo.asp>.

PROPERTY TAXES

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%

The increases in the taxable value of property for 1999, 2000 and 2003 were the lowest increases since the 1994 adoption of Proposal A. Property taxes are the Township's largest source of revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back".

However, subsequent to the passage of Proposal A, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation. For the year ended December, 2003, the Township's Headlee maximum property tax rate for its operating levy was 4.0125 mills even though Township Charter would allow the Township to levy up to 5.0 mills for operations. As indicated, due to the passage of Proposal A, the Township will not be allowed to "roll back" up to 5.0 mills. If the Township requires additional millage capacity for operations, then a Headlee override vote would be necessary to levy the maximum mills.

Related to property taxes, we noted that the Township's delinquent personal property taxes were not being reconciled between department records and the accounting system. We also noted that there were amounts dating back as far as 1984, we suggest that a reconciliation between departments and the general ledger is done and any amounts greater than 5 years old be written off as uncollectible.

ACH ARRANGEMENTS

Recently, Public Act 738 was passed, which allows local units of government to make and accept electronic funds transfers (ACH payments) if the local unit adopts a formal policy. While local units of government may have already been using the ACH system for payroll tax remittances and for the direct deposit of payroll, this new law requires a policy to be adopted.

Beginning immediately, the Board may need to adopt a policy on ACH arrangements that includes all of the following:

- Designation of an individual as the party responsible for payment approval, accounting, reporting and compliance with the ACH policy;
- A statement that this individual is required to submit documentation as follows:
 - describe the goods or services purchased,
 - the cost,
 - date of payment, and
 - the department benefiting from the purchase;
- A system of internal controls to monitor the use of ACH transactions; and
- The approval of ACH invoices before payment.

ACCOUNTING AND AUDITING ITEMS

Certificate of Occupancy Security Deposits

As discussed in last year's letter, the Township's Building Department regularly collects security deposits for certificates of occupancy. At December 31, 2003, the total deposits approximated \$268,000. It is our understanding that the Building Department's computer system has the ability to create a report that tracks certificate of occupancy deposits. However, they have been unsuccessful in creating the report due to report filters that need to be set up. Alternately, there is a report that can be run to show the entire deposit activity since the systems inception. This report must then be manually added to get to total deposits outstanding.

We suggest that this report, or one similar to it, should be run on a regular basis and that deposits should be reconciled to the general ledger so that adequate records are maintained and appropriate refunds can be made. We also recommend that an unclaimed deposit policy be put into place containing a limitation on how long refundable deposits will be held to ensure that the Township complies with the State of Michigan escheat liability laws.

Software System Upgrade/Interface

It has come to our attention that on occasion the Treasury Department's end of the day cash receipt report will be lower than the actual total receipts due to a programming error in the software system that will not pick up all batches posted. The department must then manually add water bills and cash to make sure they match. The Water Department also checks the listing to make sure the total deposited is the same, however, no formal reconciliation is done to the cash register print out to determine which receipts are not being picked up and why. We suggest that a reconciliation be done and contact be made with the software provider to determine if a fix or upgrade can be applied to the system.

Software System Upgrade/Interface (Continued)

In addition, in an effort to simplify the cash receipts process between departments, we suggest that the Township explore the cost versus benefit option of purchasing a software system upgrade that would interface the tax and water receipts taken in at the Treasurer's Office with the general ledger accounting system. A direct link to the general ledger would eliminate the need for manual entries posted by the Accounting Department.

Water Loss

An analysis of the Water Fund resulted in a water loss calculation of 13% up from 2% in the prior year. Water loss is the percent difference in the units of water sold to the Township by the City of Detroit and the amount of units billed to residents by the Township for usage.

Water loss can be caused by several factors, including municipal and hydrant use, water mains breaking, use of templates, or inaccurate meters. The Township should determine the cause of this loss and take action to reduce future losses. Some possible specific actions the Township could take to identify the source of the water loss may include:

- Performing testing on accuracy of master meters
- Comparing water loss by billing district or month to identify the greatest area of loss
- Identifying leaking water mains
- Builder's leaving templates in without a meter running
- Performing testing on a sample of customer meters to determine reading accuracy

These items are to assist the Township retrospectively isolating possible causes of the increase in water loss. The Township should continue its analysis of the water system on a monthly basis and address any unusual items as they occur.

Public Notices

Upon auditing the Township's federal grant awards for the year, we noted that there was some miscommunication between departments which resulted in a public bid notice not being published in the newspaper. We recommend that all Township notices be published by the Clerk's Office to avoid confusion in the future.

Post Retirement Health Care Funding

The Governmental Accounting Standards Board recently issued an exposure draft addressing the accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. As a result, GASB is proposing changes that would result in the Township having to have an actuarial valuation (or compute the liability internally using a prescribed formula) to define the liability and the liability would need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability, would also be disclosed. Lastly, the Township would be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability over a 30 year period. As you know, the Township has been setting funds aside for this liability. You currently have approximately \$750,000 in the Retirement Health Care Fund. While this is a good start toward

Post Retirement Health Care Funding (Continued)

funding, you may find that the annual contribution will significantly increase as a result of the actuarial valuation. While this change is still in the draft phase, it is expected that it will be adopted in which case you will need to keep this in mind for long-range planning. These changes will be effective in 2007.

In preparation for the implementation of this exposure draft, it may be beneficial for the Board to adopt Public Act 149 of 1999 which would transfer the assets held in the Retiree Health Care Fund into a trust. This transfer would allow the Township to invest in a wider variety of investments and create a trust on behalf of the employees. The trust assets would serve to offset the liability to be recorded as a result of the new GASB standard.

INTERNAL CONTROL CONSIDERATIONS

Due to the size of the Township, we realize that achieving the optimal level of segregation of duties is difficult. We would like to take this opportunity to remind you of the importance of maintaining offsetting controls in your system. We offer the following items for your consideration regarding the internal control structure:

- There is no formal bank reconciliation review process. Bank reconciliations are only reviewed if assistance is needed or mispostings are identified. Bank reconciliation reviews should be part of the monthly closing process.
- A formal policy should be used for the approval of new vendors within the accounts payable system. Currently, new vendors are created within the system when an invoice is received. No approval is currently necessary.
- Investment statements are sent directly to the Treasury Department and a copy is then sent to the Accounting Department for their posting to the general ledger. We suggest the Accounting Department open the statements and post the activity independently and forward a copy to the Treasury Department.
- Journal entries are often initiated, documented, and manually posted to the general ledger by the Senior Accountant. We recommend that journal entries be reviewed by someone else within the Accounting Department on a regular basis.
- Community Center cash receipts are not always submitted to the Treasury Department on a daily basis. In addition, the cash register tapes often do not match the total for deposit and contain manual adjustments. Also, receipts are pre-numbered, however, no reconciliation of these receipts is performed to make sure all used and voided receipts are in sequential order to ensure completeness. Tracking of receipts should be performed to ensure that all receipts are being properly accounted for.
- Manual changes can be made to the water consumption reports by the billing clerk. Reports of these changes are printed but are not reviewed. We suggest another individual review these reports and document their concurrence with the adjustments.
- We suggest that the Township assign meter readers to sections of the Township on a rotating basis in order to avoid reading the same section continuously.

INTERNAL CONTROL CONSIDERATIONS (Continued)

- We noted that only one signature is required on checks. While there is segregation of duties between the preparer and signer of checks between departments, we suggest the use of a two signature system for added control.
- We understand that a formal purchasing policy is currently being developed and we encourage the Township to adopt such a policy.

We appreciate the assistance and cooperation we have received from all the Township officials and the staff during the course of our examination. If any questions arise on reviewing the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations.

Very truly yours,

PLANTE & MORAN, PLLC



Beth A. Bialy



Sheryl M. Madden